

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 OPR-02 FSE-00

PER-03 FEA-01 /071 W

-----072034Z 100221 /44

R 062040Z APR 77

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9904

UNCLAS BUENOS AIRES 2579

E.O. 11652: N/A

TAGS: EFIN, ALOW, AR

SUBJECT: INFLATION IN ARGENTINA IN MARCH

REF: BUENOS AIRES 1702

1. DESPITE PRICE FREEZE, THE CONSUMER PRICE INDEX (CPI) IN MARCH ROSE 7.5 PERCENT (SEASONALLY ADJUSTED 7.9 PERCENT) WITH THE AVERAGE ANNUAL INFLATIONARY RATE FOR THE FIRST QUARTER (BASED ON SEASONALLY ADJUSTED DATA AND COMPOUNDED MONTHLY) RUNNING AT 213.8 PERCENT. IF THE GOA IS TO MEET ITS OBJECTIVE OF MAINTAINING INFLATION IN 1977 BELOW 100 PERCENT, AVERAGE COMPOUND INFLATION FOR THE REMAINDER OF THE YEAR CANNOT EXCEED 5.8 PERCENT/MONTH - A GOAL WHICH MAY BE DIFFICULT TO ACHIEVE.

2. THE GOA HAS CITED THE POSITIVE EFFECT ITS PRICE "TRUCE" HAS HAD IN WHOLESALE PRICES, WITH THE NATIONAL WHOLESALE INDEX RISING ONLY 2.6 PERCENT IN MARCH (IF IMPORTED PRODUCTS ARE INCLUDED, THEN THE WHOLESALE INDEX REGISTERED AN INCREASE OF 3.8 PERCENT). THE ATTENUATING EFFECT THE REDUCED WHOLESALE INFLATION RATE IN MARCH WILL HAVE ON THE CONSUMER PRICE INDEX IN APRIL WILL BE MORE THAN OFFSET BY THE 70 PERCENT INCREASE IN RENTS, 90 PERCENT

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IN GASOLINE, AND APPROXIMATELY 25 PERCENT IN TRANSPORTATION AT THE BEGINNING OF APRIL. THE EFFECT OF THE INCREASES IN RENT AND TRANSPORTATION WILL RESULT IN ROUGHLY A 3 PERCENT RISE IN THE CPI IN APRIL. THE 90 PERCENT INCREASE IN GASOLINE PRICES WILL BE REFLECTED ONLY INDIRECTLY IN THE CPI INDEX, ALTHOUGH THE SHORT-TERM DIRECT IMPACT ON THE COST-OF-LIVING OF

THE ORDINARY URBAN CITIZEN IS LIKELY TO BE SUBSTANTIAL.  
THE ULTIMATE IMPACT OF THE GASOLINE PRICE RISE WILL  
HELP REDUCE THE BUDGET DEFICIT AND THUS REDUCE THE  
INFLATIONARY PRESSURES DUE TO THE FISCAL IMBALANCE.  
HILL

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Review Markings:**  
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